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ECONOMIC WRAP-UP
Southern Africa

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AfDB Updates Its Growth Forecasts

The African Development Bank has released its annual economic outlook report for the African continent. According to the report, Africa's growth is expected to accelerate in 2025 to reach 3.9%, up from 3.3% in 2024. Southern Africa remains the least dynamic region on the continent, with growth forecast at +2.2% (a drop of 0.9 percentage points from previous estimates, after +1.9% in 2024). The sub-region is expected to remain constrained by South Africa's weak performance, with growth projected at +0.8% in 2025, after +0.6% in 2024.

According to the AfDB, Botswana and Lesotho are likely to be the most affected by tariff-related uncertainty, with Lesotho's growth forecast at +1.1% (down from 2.4%), and Botswana's at +0.8% (up from -3.0%). Botswana is struggling to revive growth amid a global decline in diamond prices. In Lesotho, new tariffs will directly impact exports (mainly textiles) to the United States, which account for 45% of its exports.

However, growth is expected to exceed 6.0% in several countries in the region, including Eswatini (+6.5%, up from +4.7%), Zambia (+6.2%, up from +4.0%), and Zimbabwe (+6.0%, up from +2.0%). Other Southern African countries are expected to post more moderate growth rates: Angola (+3.0%, down from +4.4%), Malawi (+3.0%, up from +1.8%), Mozambique (+2.7%, up from +1.8%), and Namibia (+2.6%, down from +3.7%).

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Southern Africa

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Southern Africa

Budget overrun of ZAR 11 billion on Phase 2 of the Lesotho Highlands Water Project – investigation launched *(News24)*

The cost of Phase 2 of the Lesotho Highlands Water Project (LHWP), a strategic cross-border infrastructure project aimed at securing water supply for South Africa's Gauteng province by 2028, has surged by ZAR 11 billion in just one year (approx. EUR 540 million), now reaching ZAR 53.3 billion (around EUR 2.6 billion). This budget overrun, combined with construction delays, has led South African authorities to commission a multidisciplinary team to investigate the causes.

Phase 2 of the LHWP is being implemented by the Lesotho Highlands Development Authority (LHDA) on behalf of the Lesotho Highlands Water Commission (LHWC), a binational body established by the South African and Lesotho governments. The project has already experienced nearly a decade of delays. Authorities cite rising costs due to inflation, currency fluctuations, and underperformance by contracted firms. One major contractor was recently suspended for polluting water resources.

South Africa, through its role in the LHWC, has stated it will only cover costs deemed legitimate and is demanding a work acceleration plan to ensure water delivery by 2028 and project completion by 2030. The project is being financed through tariff increases passed on to users of the Vaal River system, heightening pressure on local budgetary and social balances.

South Africa

Trump Confirms U.S. Participation in G20 Summit in South Africa

U.S. President Donald Trump has confirmed the United States' participation in the G20 events, including the summit scheduled in South Africa—marking a sharp reversal from his previous stance. The announcement followed a bilateral meeting with South African President Cyril Ramaphosa, during which the two leaders discussed economic cooperation, market access, and investment.

Although relations between Pretoria and Washington have been turbulent in recent months, they appear to be gradually stabilizing. South Africa is nonetheless continuing efforts to diversify its economic partnerships, particularly by strengthening ties with the European Union, China, and Canada. Vice President Paul Mashatile, speaking during a visit to Paris for a France–South Africa business forum, reaffirmed South Africa's commitment to improving its business environment for French companies.

Government Proposes Reform to Limit Job Opportunities for Foreign Workers *(Business Live)*

The South African government has approved the proposed Employment Services Amendment Bill, which is now set to be introduced in Parliament, along with the implementation of the National Labour Migration Policy. These texts aim to more strictly regulate the employment of foreign workers—based on tighter criteria—in order to prioritize employment for South African citizens.

Quotas could be introduced in certain sensitive sectors such as agriculture, hospitality, tourism, and construction. According to Minister in the Presidency Khumbudzo Ntshavheni, further restrictions are expected to limit the ability of foreign nationals to start small businesses in sectors where they may compete with local entrepreneurs. These quotas will be defined following public consultations and feedback from the Employment Services Board.

Central Bank Lowers Key Interest Rate to 7.25% *(SARB)*

On May 29, the South African Reserve Bank's Monetary Policy Committee (MPC) cut its key interest rate by 25 basis points to 7.25%. The move, widely anticipated by markets, was approved by a large majority (five votes to one), with the dissenting member advocating for a deeper 50 basis point cut.

This decision comes as inflation remains well below the 3–6% target. Annual inflation stood at 2.8% in April and 2.7% in March. However, the SARB cautioned that upside risks remain—such as rising trade barriers, geopolitical uncertainties, and rand volatility—which could derail the disinflation trend.

Simultaneously, the SARB reiterated its call to review the inflation target, unchanged since 2000. Deemed too broad by international standards, the current 3–6% range may be narrowed. According to Deputy Governor Fundi Tshazibana, technical analyses are complete and recommendations will soon be submitted to the Finance Ministry. A narrower band—centered around 3% or 4%—could help anchor inflation expectations and support a more sustainable lower-rate environment.

South Africa Temporarily Suspends Poultry Imports from Brazil for Health Reasons *(Wandile Substack)*

On May 21, 2025, South Africa's Department of Agriculture suspended poultry imports from Brazil following an outbreak of highly pathogenic avian influenza (H5N1) in the state of Rio Grande do Sul. The ban applies to all products packaged after April 30: live poultry, eggs, fresh, and frozen meat. Similar measures were adopted by the EU and China.

Although South Africa is a net exporter of agricultural products, it imports about 20% of its annual poultry consumption (around 350,000 tons), 70% of which comes from Brazil. The move—aligned with international health standards—aims to prevent any epidemic risk on South African soil.

Authorities stressed that this is a temporary, non-protectionist measure based on scientific criteria. The price impact will depend on the capacity of local producers and alternative suppliers (U.S., Argentina, EU) to fill the gap. Despite France being officially free of avian flu since February, South Africa maintains its embargo on French poultry imports.

Telecom Regulation Amendment Opens Door to Starlink – While Company Faces Regulator Probe

(Engineering News)

On May 23, South Africa's Department of Communications and Digital Technologies (DCDT) released a draft amendment to the Electronic Communications Act. If adopted, the revision would open the market to foreign investors in exchange for equity-equivalent contributions to support the local economy. Until now, telecom operators were required to form local subsidiaries, with at least 30% black ownership under Broad-Based Black Economic Empowerment (BEE) rules. Elon Musk, South African-born founder of Starlink, had publicly criticized this requirement.

The timing of the announcement—shortly after President Ramaphosa's visit to the U.S.—sparked criticism, notably from the opposition party Economic Freedom Fighters (EFF). Minister Solly Malatsi defended the decision, citing the need to attract foreign investment into the sector.

Meanwhile, the national telecom regulator ICASA has launched an investigation into the unauthorized use of Starlink internet services, operated by Musk's SpaceX. Despite its global user base of over 5 million and a constellation of 7,500 satellites, Starlink is not officially licensed to operate in South Africa. ICASA chair Mothibi Ramusi said enforcement actions—including escalation to the International Telecommunication Union (ITU)—may follow if violations of national regulations are confirmed.

In the meantime, South African users are bypassing restrictions by registering their equipment in neighboring countries where Starlink is licensed, then accessing the service via roaming.

Tensions Between Government and Mining Industry Over Mineral Resources Bill *(News 24)*

South Africa's Department of Mineral Resources has published a draft reform of the 2002 mining law, proposing stricter Broad-Based Black Economic Empowerment (B-BBEE) requirements and higher obligations for local mineral beneficiation.

The proposed changes have drawn sharp opposition from the Minerals Council South Africa, representing around 90% of the country's mining output. Its newly elected president, Paul Dunne, warned that the bill may deter investment and announced the industry's intent to challenge certain provisions in court.
Minister Gwede Mantashe defended the reform as one of principle, stating that the sector must produce more Black capital and leadership, and rejected equity-equivalent alternatives to B-BBEE. He urged the industry to cooperate on other measures, including artisanal mining regulation and combating the informal sector.

The draft bill is open for public comment until August 13. It forms part of a broader strategy to modernize South Africa's mining sector and boost its contribution to the energy transition, particularly through the development of critical minerals.

Historic Acceleration of Public Infrastructure Investment Announced *(The Presidency)*

During the opening of the Sustainable Infrastructure Development Symposium South Africa (SIDSSA) on May 27, 2025, President Ramaphosa declared that South Africa was entering an "era of acceleration" in public and private infrastructure investment. He announced that over ZAR 1 trillion (approx. EUR 50 billion) would be invested over the next three years, supported by increased mobilization of domestic and international private capital—particularly through blended finance mechanisms coordinated by the Infrastructure Fund (ZAR 102 billion mobilized to date).

However, the latest South African budget allocates only ZAR 33.7 billion (EUR 1.7 billion) in new infrastructure spending over three years—down from ZAR 46.7 billion (EUR 2.3 billion) in the initial version.

The Construction Book 2024/2025, the government's catalog of investment-ready projects, lists 250 projects worth ZAR 238 billion (EUR 11.7 billion). Meanwhile, Strategic Integrated Projects (SIPs)—subject to fast-track procedures—total ZAR 1.3 trillion (EUR 64 billion). Infrastructure South Africa (ISA), the agency responsible for preparing them, has reduced the average regulatory approval time to 85 days.

Completed projects include the Redstone Concentrated Solar Power plant (100 MW) and the Hazelmere Dam upgrade, the latter involving the French firm Ingerop. Priority projects include the Tubatse pumped storage power station (by Eskom), the Ngqura LNG terminal, and several special economic zones.

SIDSSA, which also brought together African infrastructure ministers as part of the Leaders Forum, aligns with South Africa's regional development strategy.

Angola

Angola to Join SADC Free Trade Area in June 2025

Angola will join the Southern African Development Community (SADC) Free Trade Area (FTA) in June, as confirmed by the Angolan Minister of Industry and Trade.
Angola's integration will be approved during the SADC Council of Trade Ministers meeting, followed by ratification by the regional Heads of State Summit, which will take place shortly. Angola's entry into the FTA marks a significant step toward regional economic integration, enabling the elimination or reduction of trade barriers between Angola and other SADC

member states, as well as promoting cross-border trade and infrastructure investment.

Joining the FTA will allow Angola access to a broader market through the reduction or elimination of customs tariffs, thereby facilitating trade and attracting investment. The consolidation process of the African Continental Free Trade Area (AfCFTA) – SADC will initially include countries that are not yet full members, such as Angola. The country will benefit from simplified rules of origin and other trade advantages. As one of the largest markets in the SADC, Angola has strong potential to enhance intra-regional trade and boost its economy. The SADC Free Trade Area has been in effect since 2008, with 13 of the organization's 16 members already actively engaged in trade within the bloc.

Taadeen Officially Joins Sociedade Mineira de Catoca

Taadeen, a subsidiary of the Omani sovereign wealth fund, has officially entered the shareholding of Sociedade Mineira de Catoca (SMC) by acquiring shares from Endiama EP, formalized through a public signing on May 26 by representatives of the involved companies. This transaction followed the departure of Russian company Alrosa from SMC, which transferred its stake to Endiama E.P. Simultaneously, SMC withdrew from the shareholding of Sociedade Mineira do Luele (SML), and its shares were transferred to Taadeen, making it a partner in the country's second-largest diamond mine as well, in accordance with Presidential Order No. 17/25.

With these agreements, the negotiation process is now complete, and the changes in the corporate structures of both Catoca and Luele have been finalized.

Mozambique

2025 Budget Law (PESOE 2025) Shows Fiscal Consolidation Efforts, Projects 0.5% GDP Deficit (Compared to -2.9% in 2024)

Mozambique's Parliament has definitively approved the 2025 Budget Law (PESOE 2025). The document reflects efforts toward fiscal consolidation amid reduced foreign donor support and slower growth due to the post-election crisis at the end of 2024.

The government forecasts 2.9% GDP growth in 2025 (vs. 2.5% projected by the IMF), 7% inflation, and a relatively stable exchange rate of 64 MZN/USD. Tax revenue is targeted at 25% of GDP (386 billion MZN), contributing to total public revenue of 33% — a slight increase — while public spending is expected to drop to 33.2% of GDP (513 billion MZN), including 22.7% of GDP for current expenditures.

Excluding grants and loans, the budget deficit would be 8.2% of GDP (127 billion MZN), down from 11.1% in 2024. This deficit will be financed through external grants (3.8% of GDP), domestic borrowing (2.3%), and external borrowing (1.9%), resulting in an overall deficit of -0.5% of GDP — a significant improvement from -2.9% in 2024.

Parliament Approves VAT Exemption on Essential Goods

Parliament has approved a VAT exemption until December 2025 on sugar, cooking oils, soaps, and on raw materials and machinery for these sectors. This is an extension of a measure under the Economic Acceleration Program (PAE 2022–2025), introduced following the post-Covid-19 recession. Aimed at reducing the cost of living and boosting local industry, the move may lead to an estimated tax loss of 2.2 billion meticais, with only a minimal benefit for the population of 34 million — equivalent to about 1 USD per capita.

Namibia

Fitch Reaffirms Namibia's Sovereign Rating at 'BB-', Outlook Stable

Fitch Ratings has reaffirmed Namibia's sovereign credit rating at BB-, supported by solid governance frameworks and institutions, but constrained by high budget deficits and significant debt levels.
Fitch projects a modest GDP growth recovery to 3.8% in 2025 (from 3.7% in 2024), driven by agriculture, tourism, transport, trade, and mining sectors. Average inflation is expected to ease to 4.0% (from 4.2% in 2024), with the central bank maintaining a cautious monetary policy and a policy rate of 6.75% — 50 basis points below South Africa's.
Public revenues are under pressure due to a weak diamond sector and declining customs union (SACU) transfers, lowering the revenue-to-GDP ratio to 33% in 2025 (down from 36% in 2024). The budget deficit is expected to widen to 5.0% of GDP in 2025 (from 3.9% in 2024) due to high social spending and costly debt servicing. Public debt is projected to stabilize around 65% of GDP, which remains higher than peer countries.

Zambia

Tensions Arise Over Regional Creditors' Status in Debt Restructuring

Zambia's Finance Minister, Situmbeko Musokotwane, confirmed that the country would remain in default to several regional creditors — notably Afreximbank and the Trade and Development Bank (TDB) — until debt restructuring talks are concluded.
These institutions claim preferential creditor status, but Zambia classifies them as commercial lenders, in line with the collective stance adopted by the creditor committee under the Common Framework.

Musokotwane emphasized that Zambia must follow rules collectively agreed upon by its creditors and that granting any privileged status is not a unilateral decision by the government but must be made by the creditor committee. Afreximbank, for its part, maintains that it is not subject to the ongoing restructuring processes in Zambia.

This position could set a legal and political precedent in Africa regarding the treatment of so-called "semi-official" creditors — entities that lie between multilateral institutions and commercial lenders.

Inflation Slows to 15.3% in May, Lowest Level in Nearly a Year (ZamStats & Bank of Zambia)

According to the national statistics agency (ZamStats), annual inflation fell to 15.3% year-on-year in May, down from 16.5% in April — its lowest level since June 2024.
While the country is in recovery mode (6.2% GDP growth projected in 2025, up from 4.0% in 2024, a year impacted by an unprecedented drought), inflationary pressures remain high. Key inflation contributors include:

- Food and non-alcoholic beverages: +17.9% y/y (10.5-point contribution)
- Housing, water, electricity, and fuels: +9.4% (2.3-point contribution)
- Clothing and footwear: +9.7% (0.6-point contribution)
- Furniture, household equipment, and routine maintenance: +8.1% (0.6-point contribution)
- Transport: +5.9% (0.5-point contribution)
- Miscellaneous goods and services: +9.8% (0.4-point contribution)

Notably, during its 21–22 May 2025 meeting, the Bank of Zambia's Monetary Policy Committee maintained the key interest rate at 14.5%, amid persistent

inflation well above the 6–8% target range
in place since May 2019.

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